

# INDUSTRY UPDATE

Biweekly Period Ending June 16, 2001

## Phoenix Metro Area

### *Manufacturing*

For the **second time** this year, Phoenix-based **ON Semiconductor Corp. announced major layoffs**. In addition, the company is shutting down production for two weeks at its East McDowell Road plant and cutting salaries by 10 percent. About 1,000 jobs, or 10 percent of its worldwide workforce, will be eliminated, including **about 200 in Phoenix**. Two months earlier, the company laid off 550 employees worldwide. ON Semiconductor, which makes analog semiconductor products, was created in August 1999 from a former division of Motorola Corp.

Although its major product sounds minuscule (crumb rubber), a **tire recycler's plans to build** a 10,000-square-foot **corporate office** and research and development complex **in Mesa** is not. **Land Star Polymer Recovery** expects to **employ between 40 and 45** people at the 2½-acre site (4143 E. Quartz Circle) with an annual payroll slightly over \$4 million. After purchasing a tire-recycling plant in east Mesa earlier this year, Land Star became the world's largest producer of crumb rubber, which is used in making asphalt and playground equipment.

As of mid-June, the **European Union** still **had not announced** if it will approve the **merger of General Electric and Honeywell**. But it's beginning to appear that the deal will be rebuffed by the European economic group, which may be good news for the 15,000 Honeywell workers in the Valley. Stock market analysts have suggested that GE would lay off up to 20,000 of Honeywell's workers after the merger. If the merger falls through, however, another suitor (United Technologies) may be waiting in the wings.

## *Finance, Insurance, and Real Estate*

**USAA** has begun **training the first 100 of 530 employees** it expects to hire this year at its new **regional headquarters** in north Phoenix. The San Antonio-based insurance company is building two 100,000-plus-square-foot buildings that will be used as temporary headquarters until the main facilities at its 573-acre campus are completed. Over the next 10 years, **USAA** expects it will **employ 15,000** people at its regional site, second only to the number at its Texas headquarters.

## Balance of State

### *Manufacturing*

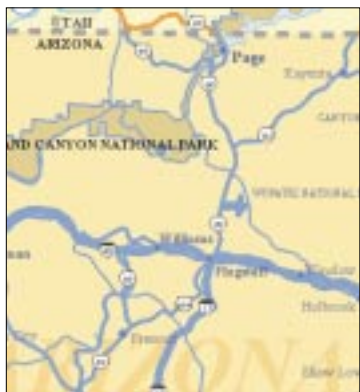
**One of Yuma County's largest manufacturers** will **close its operations in Yuma** and San Luis, Mexico, causing the layoff of 500 workers. About **150 people** (primarily semi-skilled and skilled assembly-line workers) will **lose their jobs** at the **U.S. plant** (along Highway 95) of lawn furniture maker **Meadowcraft**. The move, which is expected to take effect in early August, was abrupt and caught Yuma officials off-guard. Meadowcraft, which moved to the area in 1997, gave little explanation for the shutdown, other than "current economic conditions and other factors."

Meadowcraft's closure is an example of the **effects of the U.S. economic slowdown** on **maquiladora** (twin-plant) operations along the U.S.-Mexico border. San Luis, Mexico, has been particularly hit hard. A maquiladora association estimates **3,000 jobs**, or about one-fourth of the workforce, **have been lost in San Luis, Mexico**. The job losses also mean less activity for Arizona businesses (e.g., retail trade) along the border and the potential for an increase in illegal border

crossings. There are about 1.5 million maquiladora workers in Mexico, which doesn't offer unemployment insurance.

### ***Miscellaneous***

The city of Page is looking for ways to **attract more industry**. A slowdown in the tourist industry and small population growth the past decade (3.2 percent) has the resort city along Lake Powell worried about its future. Despite 3 million visitors a year to Lake Powell, a good



chunk never stop in Page. **About one-tenth of downtown buildings are vacant.** One obstacle in bringing light and medium industry to Page is a problem one wouldn't associate with a town near a 186-mile lake — a shortage of water. (Salt River Project's Navajo Generating Station, east of town, is open to working out a deal to pump water to Page through a 23,000-foot pipe.) Other obstacles are a lack of high-tech infrastructure and air transportation (United Express was expected to start service from Phoenix in June.).

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### **Statewide**

#### ***Transportation, Communications, and Public Utilities***

The lights may be blinking in homes of our neighbor to the west, but the generators are humming with plenty of power in Arizona. Two **new power plants in west Phoenix and Casa Grande** — generating enough electricity to light nearly 700,000 homes — came on-line in the past few weeks. And **two more plants** near Kingman (Griffith Energy) and Bullhead City (Southpoint) are expected to begin operations within a few weeks, generating an additional 1,100 megawatts, enough power for 1 million housing

units. As for the future, about a dozen more power plants (most fueled by natural gas) across Arizona are expected to begin operations within the next few years.

### ***Miscellaneous***

The high cost and shortage of power in California may be good news for Arizona, according to several recent anecdotal reports. Economic development officials have noted an **increase in California companies inquiring about moving** their operations to the **Grand Canyon State**. Owners of the 890,000-square-foot warehouse that formerly housed Revlon Inc. in west Phoenix have received a flood of calls from prospective tenants. But the migration east is not relegated to business. One Avondale apartment complex has had a large increase in the number of Californians asking to rent units for several months while building new houses in the Phoenix metro area. Most are moving to Arizona because of high utility costs, the apartment manager said.

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## ***INDUSTRY UPDATE***

*Industry Update* is produced biweekly as a stand-alone publication and quarterly as part of *Arizona Economic Trends* by the Arizona Department of Economic Security, Research Administration. *Industry Update* is a compilation of public announcements and articles from newspapers and periodicals about business events significant to Arizona labor markets. Due to space limitations, however, an exhaustive list of industry news is not feasible. In addition, DES, Research Administration is not responsible for incorrect information reported by these sources. For more information, contact DES, Research Administration by writing to 1789 W. Jefferson St., Site Code 733A, Phoenix, AZ 85007, or calling (602) 542-3871.

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